

CABINET MINUTE

DECISION NO.

BRISBANE, 25 / 3 / 1986

48398

SUBJECT: Assistance to Industry - Flameless Incineration Pty. Ltd.

(Submission No. 48340)

30 Copies Received at 9.00

a.m.

21 / 3 / 1986

p.m.

Sir John Bjelke-Petersen

Copies Made

30

CIRCULATION DETAILS

1	GOVERNOR		21	Decision File	
2	SIR JOHN BJELKE-PETERSEN	4	22	<i>here</i>	
3	MR. GUNN	9	23	<i>here</i>	30 Copy of relevant Submission attached
4	MR. WINZE		24	<i>21/3</i>	29 Submission attached
5	MR. WHARTON		25	<i>150</i>	
6	MR. GIBBS		26		
7	MR. AHERN	9	27		
8	MR. LANE		28		
9	MR. GLASSON		29		
10	MR. AUSTIN		30		
11	MR. POWELL		31		
12	MR. TURNER		32		
13	MR. LESTER		33		
14	MR. TENNI		34		
15	MR. HARPER		35		
16	MR. MUNTZ		36		
17	MR. McKECHNIE		37		
18	MR. KATTER		38		
19	MRS. CHAPMAN		39		
20	Master File		40		

1. The first part of the report is a general introduction to the subject of the study. It discusses the importance of the study and the objectives of the research. It also provides a brief overview of the methodology used in the study.

2. The second part of the report is a detailed description of the study area. It includes information about the location of the study area, the population of the study area, and the characteristics of the study area. It also discusses the data sources used in the study.

3. The third part of the report is a detailed description of the study results. It includes information about the findings of the study, the conclusions drawn from the findings, and the implications of the findings. It also discusses the limitations of the study and the need for further research.

4. The fourth part of the report is a detailed description of the study conclusions. It includes information about the overall findings of the study, the conclusions drawn from the findings, and the implications of the findings. It also discusses the limitations of the study and the need for further research.

5. The fifth part of the report is a detailed description of the study conclusions. It includes information about the overall findings of the study, the conclusions drawn from the findings, and the implications of the findings. It also discusses the limitations of the study and the need for further research.

CONFIDENTIAL

CABINET MINUTE

Copy No. 20

Brisbane, 25th March, 1936

Decision No. 48398

Submission No. 43640

TITLE: Assistance to Industry - Flameless
Incineration Pty. Ltd.

CABINET Decided:-

That the loan of \$100,000 not be forgiven and that
Flameless Incineration Pty.Ltd. be advised that it is
expected to honour the debt in accordance with the terms
of the agreement.

CIRCULATION: Premier's Department and copy to Premier and Treasurer.
Treasury Department and copy to Minister.
Department of Industry Development and copy to Minister.
All other Ministers for perusal and return.

Certified True Copy

Robert
Secretary to Cabinet.

Submission No.

Copy No.21.

F O R C A B I N E T

ASSISTANCE TO INDUSTRY
FLAMELESS INCINERATION PTY. LTD.

1. Flameless Incineration Pty. Ltd. is a Queensland company which in 1975 purchased from a United Kingdom firm, Arnold Pierce and Associates, the license to utilise and develop technology relating to circulating fluidised bed (C.F.B.) furnaces, which had the potential to utilise a wide range of fuels including abattoir waste (animal waste, paunch manure etc.), waste paint, toxic waste and domestic garbage as well as other materials with a low calorific value.
2. The project attracted the interest of the then Metropolitan Public Abattoir Board which was in the process of examining alternative furnaces for the replacement of its old steam raising plant. The prospect of using abattoir wastes as fuel had obvious attractions.
3. With the assistance and co-operation of the Metropolitan Public Abattoir Board, a pilot plant was constructed at the Cannon Hill abattoir and was commissioned on 1st March, 1978.
4. In February, 1978, the Company applied to the Government for financial assistance with respect to the development of the pilot plant on the grounds that in the long term the new technology would open new markets and employment opportunities and that although the company could expect eventual financial gains, the short term development costs were proving to be onerous. At the time, the Company advised that it had expended some \$300,000 on design, construction, development and operation of the pilot plant.

The Company estimated that a further \$100,000 would be required to complete the development programme, thus bringing expenditure to about \$400,000.

5. By Decision No. 29726 of 18th December, 1978, Cabinet decided:
 - (a) That approval in principle be granted to the State Government providing financial assistance to Flameless Incineration Pty. Ltd. to the extent of \$100,000 to meet costs associated with the development of the pilot plant.

(b) That the terms and conditions upon which assistance is to be provided be resolved by discussions between officers of the Treasury Department, the Department of Commercial and Industrial Development and the Company who should ensure that a realistic arrangement is made for the recovery of the funds involved.

6. The pilot plant operated at the Cannon Hill site for approximately two years and was dismantled pending the development of a more advanced unit in the United Kingdom by Arnold Pierce and Associates who had maintained close links with Flameless Incineration Pty. Ltd. and had co-operated with the work which it was undertaking at Cannon Hill abattoir.

Up to this time, Flameless Incineration had not found any markets for its product, possibly largely due to the technology not having been proven on a commercial scale. (The Cannon Hill abattoir installed C.F.B. furnaces supplied by another firm in 1984).

7. Subsequently, due to the loss of key technical personnel, both in Australia and in the United Kingdom and a change in ownership of Arnold Pierce and Associates, Flameless Incineration Pty. Ltd. claims to have experienced difficulty in continuing its developmental work, and advises that it has invested \$750,000 of the Company's funds as well as \$100,000 from the Government.
8. The Company, through its parent company Gay Constructions, has now forwarded a request to the Government that it be forgiven the loan of \$100,000 from the Government in view of losses which it claims to have sustained, and which it will have to write-off. A copy of the letter is attached (Attachment 'A').
9. The Government loan to Flameless Incineration Pty. Ltd. was advanced on very favourable terms under the following major conditions:
 - (i) the loan was to be applied towards research and development of circulating fluidised bed technology in connection with the construction of a one (1) tonne per hour flameless incinerator pilot plant and for no other purpose whatsoever without the prior approval of the Minister for Industry;
 - (ii) the Company was to prepare reports at specified intervals on technical progress and the financial situation of the Company;
 - (iii) the loan was for 15 years;
 - (iv) the loan would be interest free for the first five (5) years and thereafter the interest rate would be 1% per annum which could be capitalised at the discretion of the Company;
 - (v) the principal was to be repaid over 10 years at the rate of \$10,000 p.a. plus interest with provision for the rate of repayment to be increased depending on product sales.

- (vi) in the event of default, the Minister was empowered to take possession of the Company's assets and apply them towards repayment of the loan.
10. The Company's request for forgiveness of the loan follows notification from the Department of Industry Development that repayment of the loan was due to commence.

The Company requests that in considering its application, the Government take account of the fact that the pilot plant produced steam at Cannon Hill for two years, and enhanced the technical background of the abattoir staff.

Any contribution towards the steam requirements of the abattoirs by the pilot plant would have been minimal. It operated intermittently for two years at a rate of 1 tonne per hour when operating. The old boiler plant had to be maintained on line to meet the needs of the abattoir of about 25 tonnes per hour. The new steam raising plant at the abattoir has an installed capacity of about 23 tonnes per hour. The extent to which the existence of the pilot plant increased the technical skill of the abattoir staff would be very difficult to assess.

It would be highly unlikely that the benefits to the abattoir amounted to anything like \$100,000.

11. It is clear from Decision No. 29726 of 18th December, 1978, and the accompanying Submission No. 26490, that Cabinet at the time did not favour providing assistance by way of a non-repayable grant.

The financial assistance was from public funds for the purpose of assisting research and development under the belief that it would assist the Company through a critical stage when no commercial returns could be anticipated but that it would eventually stimulate new manufacturing activity within the State. It was expected that repayment to the Government would occur once the venture started to produce income.

The project was a commercial risk which failed and it is difficult to see any justification for treating it differently from any other such risk whereby the entrepreneur would remain responsible for debts incurred.

If the Government forgives the loan, it could place itself in the position of being open to criticism for not protecting public funds, and for not seeking recovery of the loan within the terms of the loan agreement with the Company.

Recommendation:

It is recommended that the loan of \$100,000 not be forgiven and that Flameless Incineration Pty. Ltd. be advised that it is expected to honour the debt in accordance with the terms of the agreement.

J. BJELKE-PETERSEN
PREMIER

hone: 391 5888

ATTACHMENT 'A'

61-65 Didsbury Street,
East Brisbane, Qld. 4169

Telegrams & Cables:
GAYWAY BRISBANE

Telex: FIPLTD AA42862



GAY CONSTRUCTIONS

MANUFACTURING ENGINEERS, STEEL FABRICATORS
DESIGN AND CONSTRUCT CONTRACTORS WITH THE GAYFLEX
INDUSTRIAL BUILDING SYSTEM

PVG:CH

December 9, 1985

The Premier
Hon. Sir Joh Bjelke-Petersen MLA
Executive Building
100 George Street
BRISBANE QLD 4000

Dear Mr. Premier,

You will recall in 1975 I purchased the technology for Australia, which I later named Flameless Incineration. The company which sold the technology was named Arnold Pierce and Associates, and was based out of London, UK. The point of contact who made the introduction was, of course, the Queensland Agent-General, also based in London.

I returned to Australia and formed the company which became known as Flameless Incineration, because of the circulating fluidized bed technology burnt without a flame (by means of rapid oxidation caused by induced draught). We developed the technology further, and with considerable assistance from yourself and the Queensland Government were able to build an operating furnace at QMIB plant at Cannon Hill.

Mr. Pierce came to visit Queensland, and did, in fact, stay for six months, as he found that Queensland had outstripped the United Kingdom on the implementation of the technology, and that our own people, including Robert Kille, General Manager Gay Constructions, and a Director of Flameless Incineration, and Ron Boots, chief engineer at QMIB, were considerably more advanced than his own staff in the United Kingdom.

You will recall opening a \$250,000.00 installation at Cannon Hill, at the initial launch of Flameless technology. This Plant operated on site for a period of two years, during which time it produced steam (up to 5000lbs per hour). Combustion was achieved through the usage of animal waste, paunch manure, abattoir sludge, Yallourn brown coal, waste paint, toxic waste, domestic garbage, coal tailings, and a variety of materials with a less than acceptable calorific value.

...../2

- 2 -

We quoted many plants to industry throughout Australia and in South East Asia, but sadly were never successful, because nobody had the desire to be the first to use the technology. Our testing was fully computerized and documented, and made available to the Co-ordinator General's Department and the Queensland University. A study at your direction was completed by COG., the results of which are available at this time. Many exciting concepts were envisaged, amongst them the collection of domestic waste from the southside of Brisbane, which would be deposited at Cannon Hill, shredded and passed through a plant which was to be developed on abattoir land. This equipment would generate sufficient steam to fulfill the needs of the abattoir and pipe a surplus to other industries which required steam in the area.

During this period the Queensland Government, in keeping with the spirit of free enterprise promoted by yourself, decided to make a grant of one hundred thousand dollars (\$100,000.00) to Flameless Incineration in recognition of the efforts of that company, and the seven hundred thousand dollars (\$700,000.00) which had been spent in the development of the technology to that point of time. Flameless Incineration, whilst being most appreciative of the grant, sought your consideration of an alternative proposal. Having regard for the tax laws of this land, it was argued that a grant from the Queensland Government would be taxable at the rate of forty-six cents (46c) in the dollar by the Federal Government, and consequently the objective of the grant was being defeated. It was therefore decided that rather than provide a grant, a loan of one hundred thousand dollars (\$100,000.00) be made to Flameless Incineration. This loan would be for a period of twenty years, interest free for the first five years, and then interest would be calculated at 1%, and the loan would be repayed over fifteen years.

Shortly after this point of time tragedy struck, in that Arnold Pierce died unexpectedly upon his return to the UK. The parent company, which is known as Flameless Furnaces, having copied our name, engaged the services of a new engineer and operated as a design office for a period. Their new engineer came to Australia, and it was evident that we were still somewhat advanced of our parent. They in turn had an expensive Board, who were receiving high salaries, and quickly used up all the shareholders' subscriptions, plus one million dollars (\$1,000,000.00) which they acquired from a Keyman Insurance policy on the life of Arnold Pierce. We endeavoured to assist as much as possible from Australia, and we were providing information for Flameless Furnaces to prepare quotations for throughout the world.

- 3 -

In the mean time, Flameless Furnaces were bought out by a hardnosed engineering group called BN, operating from Brugge in Belgium. This company showed, and has continued to show scant regard to the Australian participation and licence of the technology, thus making it very difficult for the operations of Flameless Incineration to continue.

However, the real tragedy occurred in 1982, with the General Manager of Flameless Incineration (Robert Kille), who suffered a severe stroke which ultimately led to his death. Robert Kille was the lynch pin of the company, and certainly the most skilled with the technology in this part of the world.

I have endeavoured to continue the operation of the company. However, my other interests have precluded me from any worthwhile involvement. BN, with whom I corresponded regularly at the outset, have shelved the technology, not because of its value, but because they are, in fact, locomotive and body builders. This departure was not in keeping with their planned diversification.

So you see, Mr. Premier, I am faced with a dilemma, in that Flameless Incineration owe the Queensland Government one hundred thousand dollars (\$100,000.00) for which I seek forgiveness. My total expenditure to date on the technology, which incidentally is still amongst the most advanced in the world, is seven hundred and fifty thousand dollars (\$750,000.00). Without a skilled technician to manage the company, Flameless Incineration has been marking time for two years. On the positive side, the plant which we installed at Cannon Hill produced steam for use at the abattoir for a period of almost two years, and provided management with sufficient skills to be able to choose a circulating fluidized bed incinerator which is currently operating on site with absolutely outstanding results, and is recognized as the most modern and successful throughout Australia. I see little point in persisting with the company in its present form, because I do not have the management team in place to further such advanced technology.

Therefore, I seek forgiveness of this loan, and draw attention to the fact that in return for that forgiveness, Flameless Incineration provided steam on site for a considerable period, and enhanced the technical skills of the engineering staff of QMIB to their present level. As stated earlier, I have

...../4

- 4 -

injected into the company approximately three quarters of a million dollars, which I must accept as a loss.

Your favourable consideration of the foregoing, and the methodology by which such an action may be implemented would be greatly appreciated by the writer.

Yours sincerely,


PATRICK V. GAY

Managing Director

Mr. Premier, I fully discussed the foregoing with Sir Syd Schubert, and I have taken the liberty of copying him direct.